



اَوْنِبُوْ رَسِيْتِيْ تَيْكُونُوْ لُوْ كِيْ مَارَا
UNIVERSITI
TEKNOLOGI
MARA

**EFFECT OF GOVERNMENT EXPENDITURE TOWARDS
ECONOMICS GROWTH IN MALAYSIA**

MUHAMMAD NOORHAKIM MAULA AHMAD GHAZI

2017277454

BACHELOR OF BUSINESS ADMINISTRATION (BUSINESS ECONOMICS)

FACULTY OF BUSINESS AND MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

KOTA KINABALU

JUNE 2020

DECLARATION OF ORIGINAL WORK



اَوْنَبُوْكَرْ سَيِّدِيْ تَيْكُوْلُوْ كِيْ مَارَا
UNIVERSITI
TEKNOLOGI
MARA

BACHELOR OF BUSINESS ADMINISTRATION (BUSINESS ECONOMICS)
FACULTY OF BUSINESS AND MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KOTA KINABALU

I, Muhammad Noorhakim Maula Ahmad Ghazi, (IC Number: 960717045037), hereby declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledge

Signature: _____

Date: _____

TABLE OF CONTENTS

TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
LIST OF FIGURES	v
LIST OF TABLES	vi
ABSTRACT	vii

CHAPTER 1: INTRODUCTION

1.1	Introduction	1
1.2	Background of the study	1
1.3	Problem statement	5
1.4	Research questions	7
1.5	Research objectives	8
1.6	Significance of the study	9
1.7	Scope of the study	10
1.8	Limitations of the study	10
1.9	Definition of key terms	11
1.10	Summary	13

CHAPTER 2: LITERATURE REVIEW

2.1	Introduction	14
2.2	Literature Review on Transportation Expenses	14
2.3	Literature Review on Education Expenses	16
2.4	Literature Review on General Administration Expenses	18
2.5	Literature Review on Military Expenses	19
2.6	Theoretical Framework	21
2.7	Summary	21

LIST OF TABLES

Table 1: Augmented Dickey-Filler (ADF) unit root test result	28
Table 2: Phillips-Perron (PP) unit root test results	30
Table 3: Summary of results based on research question and hypothesis	47

ABSTRACT

For decades, the connection between government expenditures and economic growth has been explored, however has not yet been explicitly defined. In the case of Malaysia, this paper provides further evidence regarding the relationship between government expenditure and economic growth. For the last 47 years we used the OLS methods to estimate the fixed effects of government spending on economic growth. This research is performed using data from the time series for the duration 1970 to 2018. To concentrate on the success of economic growth policies and prevent any distortion from unproductive spending, this analysis uses only government development spending rather than government consumption. The test runs on the transportation, military and defense, education, and general administration areas. The results show that only the education areas are important towards economic growth. These results that offer the Malaysian policymakers some outlook of the policy consequences of leveraging the impact of government spending on economic growth.